



AIR FORCE CONTRACTING NEWSLETTER

HEADQUARTERS UNITED STATES AIR FORCE AFRP 64-1 NO. 14

SPRING 1996

Hail and Farewell . . .

During the past 20 years, the one constant in Air Force Contracting leadership has been the outstanding service of Mr. Ira Kemp. It is with mixed emotions that we acknowledge the upcoming retirement of Mr. Kemp, Associate Deputy Assistant Secretary for Contracting, effective 3 Jul 96. Mr. Kemp has served us all extremely well throughout his 33 years of government service and as our leader at the Pentagon since 1976. Prior to his years at the Pentagon, Mr. Kemp was assigned to Norton AFB, Headquarters Air Force Logistics Command at Wright-Patterson AFB, and Warner Robins AFB. Throughout his entire career, Mr. Kemp has been dedicated to providing the Air Force Contracting community and our customers with extraordinary professional service. He has guided the careers and lives of a great many current and past members of the acquisition work force, both military and civilians. I speak for all of those persons when I sincerely express our gratitude to Mr. Kemp for his faithful, dedicated, and professional service and wish him all the best in his future.

Mr. Walker "Lee" Evey has been selected as the next Associate Deputy Assistant Secretary for Contracting upon Mr. Kemp's retirement. He is currently assigned as the Special Assistant for Contracting. Mr. Evey most recently worked for the Kennedy Space Center as the Special Assistant to the Center Director. Mr. Evey began his Federal career as a COPPER CAP trainee at Patrick AFB. Other assignments have been with Headquarters, Air Force Systems Command; Department of Energy; and the National Aeronautics and Space Administration. *Welcome back to the Air Force, Mr. Evey!*

ANNUAL REPORT EDITION

This Annual Report of the Air Force Contracting Newsletter summarizes some of your major accomplishments during 1995 and is structured to address the progress made towards achieving our three Air Force Contracting goals:

- (1) Meet the warfighters' needs
- (2) Implement innovative acquisition policy and processes
- (3) Enable our people to excel

At the Air Force Secretariat level, we are working to assure that all three goals are met. To meet our warfighters' needs, we are implementing strategies for lean logistics and focusing on initiatives to provide supplies and services faster, better, and cheaper. Acquisition reform has afforded us many opportunities to implement innovative policies and processes. It is now up to us to effectively apply these new tools to achieve immediate and long-term payoffs. Towards our last goal, we remain committed to providing the contracting work force with relevant and timely training, and the proper tools to get our job done.

INSIDE THIS ISSUE . . .

Section 1	Meeting the Warfighters' Needs
Section 2	Implementing Innovative Policy and Processes
Section 3	Enabling Our People to Excel

TIMOTHY P. MALISHENKO, Brig Gen, USAF
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Assistant Secretary (Acquisition)



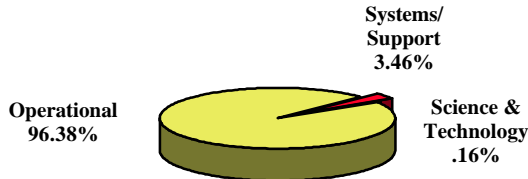
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SECTION 1: AIR FORCE CONTRACTING

MEETING THE WARFIGHTERS' NEEDS

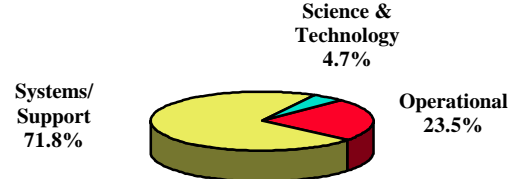
During FY95, Air Force contracting continued to serve our Nation's warfighters by acquiring systems, services, and supplies that met the operational needs! We processed over 2.5 million contracting actions and obligated over \$39 billion.

Contracting Actions - 2.5 Million



Note: In FY94, we processed over 2.8 million actions

Contracting Dollars - \$39 Billion



Note: In FY94, we obligated over \$42 Billion

During FY95, we provided an ever-increasing range of supplies and services to support the Air Force systems/logistics, science and technology, and operational missions. We provide everything--

From: Airframes and Related Spares \$ 6.9B ↓
 Electronics and Communications Equipment 4.6B
 Missiles and Space Systems 4.4B
 Aircraft Engine and Related Spares 1.6B

To: Foreign Military Sales \$ 5.8B ↑
 Services 4.4B
 Construction and Related Equipment & Supplies 2.3B ↑
 Weapons and Ammunition .4B

To: Vehicles \$ 141.2M ↑
 Textiles and Clothing 11.3M ↓
 Photographic Equipment 9.1M ↓
 Petroleum, Fuels and Lubricants 10.7M

↑ or ↓ indicates significant shift up or down since FY94.

Contracting Newsletter - Spring 1996

The Secretary of the Air Force has determined that the publication of this periodical is necessary in the transaction of the public business of the Department as required by law. Use of funds for printing this publication was approved on 11 Jul 88, in accordance with AFRP 64-1.

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Honorable Sheila E. Widnall
 Secretary of the Air Force

Timothy P. Malishenko, Brig Gen, USAF
 Deputy Assistant Secretary (Contracting)
 Assistant Secretary (Acquisition)

Ms. Susan Willard, Editor-in-Chief

Ms. Alisa Hope, Editor

Contracting Newsletter is an official, nondirective HQ USAF departmental publication. Its purpose is to provide Air Force Contracting personnel with timely information relating to mission accomplishment; to assist them in solving problems and improving efficiency of operation; to communicate new developments and techniques; and to stimulate professional thought and development. The views and opinions expressed by individual contributors, unless otherwise specifically indicated, are those of the individual author. They do not necessarily reflect the official viewpoint of the Chief, Contract Support Division, SAF/AQCX; the Department of the Air Force; or any other department or agency of the United States Government.

Contributions, suggestions, and criticisms are welcome. Final selection of material for publication is made on the basis of suitability, timeliness, and space availability. Address communications to *Contracting Newsletter* at above address.

The use of a name of any specific manufacturer, commercial product, commodity or service in this publication does not imply endorsement by the Air Force.

MAKING WISE USE OF OUR RESOURCES

Compared to the commercial sector, Air Force Contracting business is impressive.

As a "Purchasing Department," the Air Force would rank **3rd** among commercial purchasing operations.

COMMERCIAL PURCHASING OPERATIONS* *

	\$ Billions
1. General Motors	70
2. Ford Motor	67
3. Chrysler	36
4. IBM	26
5. General Electric	22

**USAF
\$39B**

*Forbes, 22 April 1996

**Purchasing, 9 November 1995

FORBES 500 CORPORATION SALES*

	\$ Billions
1. General Motors	168
2. Ford Motor	137
3. Exxon	108
4. Wal-Mart Stores	93
5. AT&T	80
6. IBM	72
7. General Electric	70
8. Mobil	65
9. Chrysler	53
10. Philip Morris	53
11. du Pont de Nemours	37
12. Texaco	35

If our Contracting dollars equated to sales, the Air Force would rank **11th** in the Forbes 500.

**USAF
\$39B**

AIR FORCE COMPETITION WE GET RESULTS!

	FY93	FY94	FY95
% Dollars	57.0%	51.0%	63.5%
% Actions	97.2%	97.3%	97.4%

- ◆ Competition Advocacy Remains Important
- ◆ Commercial Advocacy Equally Critical
 - ⇒ Competition Not Enough — Need to do Smartest Way!
 - ⇒ Market Research Essential

The Air Force had a stellar year in FY95 with regard to awards made to the Small Business community. Long a supporter of Small and Small Disadvantaged Businesses, during FY95 we awarded a record setting amount of business. We attribute these positive trends to strategic planning, customer orientation, and our focus on process improvement.

AIR FORCE SMALL BUSINESS AWARDS

	FY93	FY94	FY95
% Dollars	15.2%	16.0%	17.9%
Total Dollars	\$5.3B	\$5.3B	\$5.4B

SMALL AND SMALL DISADVANTAGED BUSINESS AWARDS

	FY93	FY94	FY95
% Dollars	4.6%	4.9%	5.8%
Total Dollars	\$1.63B	\$1.61B	\$1.76B



AIR FORCE CONTRACTING

MAINTAINING CREDIBILITY WITH OUR CUSTOMERS

JAVITS-WAGNER-O'DAY AWARDS

	FY93	FY94	FY95
Actions	125	140	161
Dollars (Millions)	\$35.7M	\$51.2M	\$47.2M

Throughout the Air Force, the number of actions awarded under this act increased during FY95 for the third year in a row. The 92nd Contracting Squadron at Fairchild AFB was awarded the President's Committee Award under the Javits-Wagner-O'Day Act for FY95. Fairchild provided employment and training opportunities for 102 personnel through three major service contracts valued at \$2 million. Congratulations to all contracting personnel who support the Javits-Wagner-O'Day Act.

In our role as the stewards of public dollars, we must maintain the public's trust by keeping our procurement process open and fair. As a part of this open process, we responded to over 400 Congressional/White House inquiries.

CONGRESSIONAL/WHITE HOUSE INQUIRIES

	FY93	FY94	FY95
Total:	587	526	418

Field units are doing good, high quality work in meeting our 14-day goal from receipt of inquiry to submission of signed response by AQC back to the Legislative Liaison office. We encourage E-Mail copies also to help speed up our collective processing time.

AIR FORCE/GAO PROTEST ACTIVITY

	FY93	FY94	FY95
Total Protests Received	493	358	331
Total Protests Decided*	532	346	330
Sustained	8(2%)	4(1%)	7(2%)
Denied/Dismissed	392	232	234
Withdrawn	132	110	89
Corrective Actions**	33	52	39

*Reflects decisions on protests carried over from previous year

**Included in with dismissed and withdrawn numbers

During FY95, the number of Air Force protests to GAO continued to decrease. We attribute this to expanded and timely debriefings to offerors. Four best value source selection protests were sustained where GAO believed that the Air Force source selection authorities did not make and/or did not document reasonable cost/technical trade-off decisions. Lessons learned: (1) clearly document the cost/technical trade-off by the source selection authority, and (2) follow the specific award criteria as stated in the solicitation and apply it equally. We applaud the field contracting offices and local Judge Advocates for their high quality work on protest files.

Debarments and suspensions have almost tripled over the last three years. We attribute this trend to renewed emphasis, increased awareness, and streamlining of the Debarment and Suspension program. Now the contracting officer's recommendation for suspension or debarment goes directly from the recommending field activity to the debarring official (Deputy General Counsel) for contractor responsibility. This is clearly an example where streamlining and process improvement achieves results!

AIR FORCE DEBARMENTS AND SUSPENSIONS

	FY93	FY94	FY95
Debarments	48	73	106
Proposed Debarments	68	96	144
Suspensions	13	71	92
Total	129	240	342

SYSTEMS AND LOGISTICS HIGHLIGHTS

TIMELY, AFFORDABLE SYSTEMS THAT MEET THE WARFIGHTERS' NEEDS

The Air Force is seriously committed to acquisition reform, including the following initiatives:

- ◆ Eliminating Government-unique processes, specifications, and standards,
- ◆ Reducing the number of CDRLs and data deliverables on contracts,
- ◆ Converting from design-based specifications to performance-based specifications,
- ◆ Using commercially available components where available,
- ◆ Reducing the level of oversight requirements on programs.

Several of the programs that illustrate successful implementation of these initiatives follow.

SPACE BASED INFRARED SYSTEM (SBIRS)

ACQUISITION REFORM INITIATIVES	INSTANT ACHIEVEMENTS/ PROGRAM GAINS
Reduce preparation time for a DAE review and the required documentation	Consolidated traditional documentation (1000+ Pages) to 37 page Single Acquisition Management Plan (SAMP); reduced 360 day documentation preparation time to a 90-day cycle; projected 5 year savings of \$65 million

JOINT DIRECT ATTACK MUNITION (JDAM)

ACQUISITION REFORM INITIATIVES	INSTANT ACHIEVEMENTS/ PROGRAM GAINS
Simplify requirements; Use commercial specifications and standards; Incorporate a performance based specification	Statement of Work (137 Pages) converted to Statement of Objectives (2 Pages); 87 MILSPECs / STDs were eliminated; CDRLs reduced from 243 to 24; 2 year reduction to reach EMD; 30% reduction in development costs and production time resulting in \$2.9 billion in savings

EVOLVED EXPENDABLE LAUNCH VEHICLE (EELV)

ACQUISITION REFORM INITIATIVES	INSTANT ACHIEVEMENTS/ PROGRAM GAINS
Electronic source selection; Early industry involvement; Streamlined RFP approach	Period from RFP release to SSA decision only 92 days — 53 days ahead of traditional schedule; RFP included performance-based specification; Proposal preparation period reduced to 30 days; CDRL requirements reduced to 23; Small SPO (50 personnel); Small SSEB team (approx 30)

AIRCRAFT ENGINE OVERHAUL & REPAIR

ACQUISITION REFORM INITIATIVES	INSTANT ACHIEVEMENTS/ PROGRAM GAINS
Use of commercial practices including commercial invoices, inspections by FAA, and packaging; best practice	Reduced repair turn times from 85 days to potentially 30 days; streamlined repair ordering; reduction of repair costs; simplified 16 page contracts

E-3 SPARES SUPPORT

ACQUISITION REFORM INITIATIVES	INSTANT ACHIEVEMENTS/ PROGRAM GAINS
Use of commercial practices; commercial parts inventory; computerized ordering system; customer inspection and acceptance; commercial warranty	Average delivery time decreased from 79 days to 18 days; five year projected cost savings of \$31 million (\$42.3 million to \$11.3 million)

SCIENCE AND TECHNOLOGY

ANOTHER YEAR OF STREAMLINING GAINS

The Air Force Science and Technology (S&T) contracting community marked its sixth straight year of declining contracting and assistance (Grants, Cooperative Agreements, and Other Transactions) lead times in FY95.

- ◆ Average lead time for S&T actions was under 60 days,
- ◆ FY95 record of 1,694 new contract and assistance starts.

The gains in efficiency in S&T contracting can be credited to the use of streamlined processes and award instruments. In 89% of their actions, the laboratories use

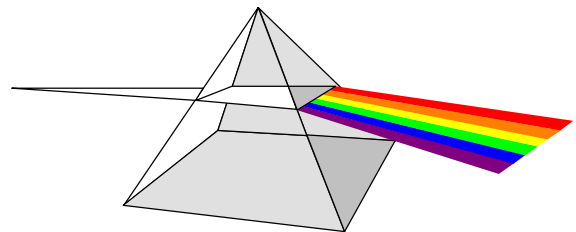
- ◆ Broad Agency Announcements (BAA),
- ◆ Program Research and Development Announcements (PRDA), and,
- ◆ Small Business Innovation Research (SBIR) program procedures.

The Air Force labs are participating in a DoD test program (Research and Development Streamlined Solicitation/Contract procedures, or RDSS/C) which was initiated in FY95 to streamline the traditional RFP process.

- ◆ Applies to S&T acquisitions under \$10 million.
- ◆ Goal is to eliminate traditional RFP.

- ◆ RFP is replaced by Commerce Business Daily (CBD) announcement which states the government's requirement in broad terms.
- ◆ Contractors propose creative and innovative solutions.
- ◆ Results so far indicate a 25% reduction in lead time over the traditional RFP process. The Director, Defense Procurement (DDP) will decide whether to approve RDSS/C after the test program ends in May 96 and the results are analyzed.

The Air Force S&T contracting community is committed to streamlining and considers itself to be on the leading edge of acquisition reform. New initiatives such as RDSS/C and lightning bolt implementation promise to keep the labs in the forefront of change in the years ahead.



S & T CONTRACTING & ASSISTANCE LEAD TIMES

	(Average Lead Time In Days)						6 year
	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>Change</u>
SBIR I	81	31	39	18	25	23	-72%
SBIR II	106	73	50	59	68	61	-43%
BAA/PRDAs	125	81	77	60	59	53	-58%
RFPs	198	162	139	168	159	162	-18%
Sole Source	120	92	90	107	116	114	-04%
Grants	<u>86</u>	<u>67</u>	<u>65</u>	<u>53</u>	<u>51</u>	<u>42</u>	<u>-37%</u>
Avg Awd							
Lead Time	119.3	82.1	77.5	60.7	58	55	-54%

OPERATIONAL CONTRACTING

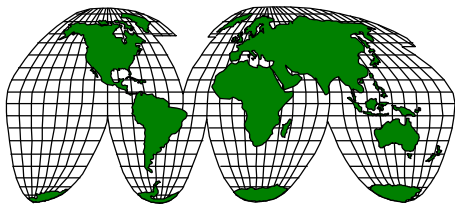
SERVING THE WARFIGHTERS AT THE FRONT LINE

TOP DOLLAR CONTINGENCY COMPETITION

The Joint Contracting/Comptroller Top Dollar competition during FY95 proved just how valuable contingency contracting training and preparation is to preparing for a deployment. Technical training gained in the classroom is a start to preparing for a contingency, but the warrior skills needed to be successful can best be learned in a realistic wartime scenario.

MAJCOM training/competitions for FY96 have already been held at Camp Swift and Ramstein. Jun 96 competitions will be sponsored by the Air National Guard and AFMC (Alper, MD); Jul 96 competitions will be sponsored by ACC and AETC (Little Rock, AR); and Aug 96 competitions will be sponsored by PACAF (Andersen AB) and AFSPC (USAF Academy). The final competition, hosted by HQ AETC/FM/LGC, will be held in Nov 96.

Defense Acquisition University is in the process of developing a DoD Contingency Contracting course. The target audience will be those individuals who have completed PUR 101 or CON 101, and who occupy a potentially deployable position. Stayed tuned in FY96 for the debut of this course.



ENVIRONMENTAL CONTRACTING

Executive Order (E.O.) 12969, "Federal Acquisition and Community Right to Know," was signed by the President on 8 Aug 95. Essentially the E.O. requires contractors to file toxic chemical release inventory forms for covered facilities during the duration of the contract.

- ◆ Applies to contractors within Standard Industrial Classification (SIC) codes 20-39.
- ◆ Must be included in solicitations expected to exceed \$100,000.

Why is this important?

- ◆ Provides a strong incentive for reduction in the generation and release of toxic chemicals into the environment.
- ◆ Savings associated with reduced materials usage (reduced use of costly, inefficient, end-of-pipeline pollution controls and reduced liability and remediation costs from worker and community claims) benefits the government, as a whole.

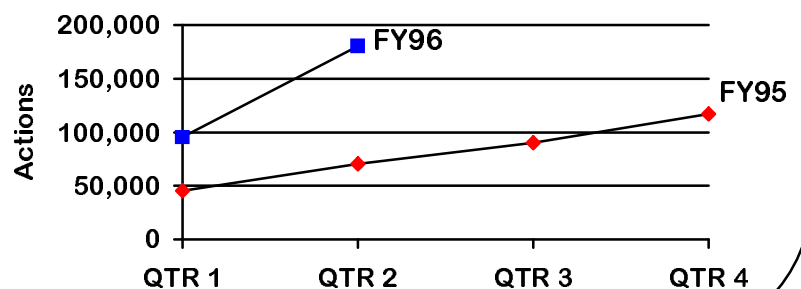
As we focus on environmental contracting, the apparent lack of formal training is one of the top issues that continues to surface. We reviewed a final report drafted by the Air Force Logistics Management Agency that identifies these concerns and provides some suggestions. For example, of 4,012 environmental courses identified in the DoD Environmental Catalog, only six relate specifically to environmental contracting. Three of the courses relate to cleanup and remediation, while two are general in nature, and one deals with pollution prevention. We'll focus on how we can fill this void.

USE OF IMPAC CARD SOARS

FY95 is the first full year for which the Air Force has complete data on the International Merchants Purchase Authorization Card (IMPAC). With each passing quarter, use of the card increased. IMPAC has proven to be a tremendous tool for our customers! As this program continues to grow, please assure your contracting activity is providing an appropriate level of training and surveillance.

IMPAC - FY95

Net Sales: \$126.8M
Number of Transactions: 322,729
Number of Cardholders: 12,168



MAXIMIZING OUR RESOURCES

GETTING THE MOST FOR EACH PROCUREMENT DOLLAR

During this continuing era of budget reductions, Air Force contracting personnel recognize the need to maximize the resources going to support our warfighters. Along with DCAA, we have been increasingly successful in identifying and sustaining defective pricing cases. The Air Force procurement fraud remedies program remains a viable means to identify and recover dollars that rightfully belong to the Air Force. The Air Force is actively working with DFAS to identify the disbursement problem areas and improving the processes so that the amount paid out in interest penalties decreases in years to come.

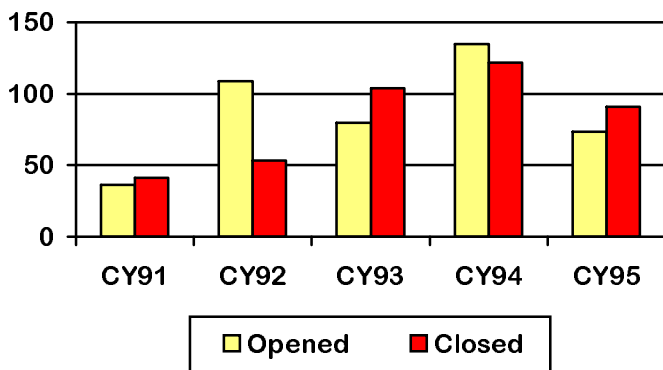
AUDITS

Reportable DCAA audits (e.g., defective pricing, claims, etc.) continued to decline. The total number has decreased from 799 reports in 1991 to 407 reports in 1995. While overage audits have remained relatively constant, the number of new reports being issued have declined significantly. Also, the number of audits subject to investigation has decreased. Your efforts in managing and maintaining an effective audit follow-up program are key elements in our ability to retain an excellent audit follow-up system.

The overall Air Force sustention rate continues to be above 60 percent. In the area of defective pricing, however, our sustention rate soared to 99 percent in FY95. This favorable sustention trend is attributed to improved communication and cooperation between DCAA and the contracting offices.



	DEFECTIVE PRICING AUDITS	DOLLARS SUSTAINED (IN THOUSANDS)	DOLLARS SUSTAINED (%)
FY91	382	37,327	46%
FY92	358	31,209	55%
FY93	254	31,834	70%
FY94	229	37,324	58%
FY95	160	117,869	99%



PROCUREMENT FRAUD REMEDIES PROGRAM

Remedies plans are required for significant procurement fraud cases in any of the following circumstances:

- ◆ Expected loss of at least \$100K,
- ◆ Corruption case related to the procurement process,
- ◆ Defective product or product substitution presenting serious hazard to health, safety or operational readiness,
- ◆ Designated by SAF/GCQ.

THE AIR FORCE PROCUREMENT FRAUD REMEDIES PROGRAM GETS RESULTS

On 4 Mar 96, a vice president of a defense contractor was sentenced to 21 months in prison and the maximum fine of \$40,000. The fraudulent conduct involved a contract for Maverick missile launchers and included concealment of negative test results, disguising imperfections in parts, and not documenting corrective measures. The judge imposed the maximum punishment because he determined that the vice president had subverted efforts to assure safety efficacy of missile launchers, a complex and dangerous piece of equipment. (Source: Fraud Facts, SAF/GCQ, Apr 96)

PAYMENT ISSUES

During FY95, the Air Force paid over \$3M in interest penalties, a significant increase from previous years. The amount paid out impacts the Air Force mission and threatens the loss of supplies and services. To correct this problem, the MAJCOMs, along with DFAS Denver and DFAS operating

locations, are actively working solutions to reengineer payment processes. An independent study of DFAS disbursement problems revealed that while the majority of problems are attributable to DFAS Columbus, approximately 30 percent of the problems are attributed to accounting and pay stations, buying activities, and contractors. Continue to work with DFAS to get the late charges down. For more information, see Vendor Lessons Learned on our home page under Mgmt Info.